

Good afternoon. Today, the Subcommittee will hear testimony on the Coast Guard's budget request for Fiscal Year 2003. It is a distinct pleasure to welcome the Coast Guard Commandant, Admiral Jim Loy. This will likely be ADM Loy's final appearance before our Subcommittee as his four-year term comes to a close at the end of May. On behalf of the entire Subcommittee, I want to thank the Admiral for his outstanding service and leadership of the Coast Guard during this critical point in our nation's history.

Also with us today is Ken Meade, the Inspector General of the Department of

Transportation, and JayEtta Hecker of the General Accounting Office. Welcome to you all.

The events of September 11 dramatically changed the way we view the Coast Guard and at the same time gave the general public a better sense of how important the Coast Guard is -- not only for the protection of mariners and our marine natural resources, but also for our national defense.

Every member of this Subcommittee recognizes that the Coast Guard has a critical role to play in improving our homeland security. Last year the Senate passed S.1214, the Port and Maritime

Security Act of 2001, a bill that will substantially improve our homeland security and will strengthen the Coast Guard's role. I wish to thank Admiral Loy for all of his assistance in working with Senator Hollings and the rest of the Committee to put this landmark legislation together.

At the same time I am concerned about taking resources from traditional Coast Guard missions and diverting them to homeland defense -- rather than seeking to cover all missions adequately.

For years Senator Snowe and I have tried to get the Coast Guard the resources they so desperately need to

perform their traditional missions. For seven of the last ten years, including last year, the service required an "emergency supplemental" to make it through the fiscal year without drastic cuts in days-at-sea and flight hours in the 4th quarter. Last year, as part of the Defense Appropriations bill to address the enhanced security needs after 9/11, Senate Democrats sought a much higher appropriation for the Coast Guard than what was sought by the Administration. Yet I understand that now, the Administration is about to send another supplemental request for the Coast Guard. Is this any way to do business?

The Coast Guard operates a fleet of

ships that rank 39th in age out of the world's 41 maritime fleets. A Coast Guard report in 2000 found that 84% of the rescue-boat fleet was "not ready for sea". A report the year before estimated that the Coast Guard's cutter fleet was free of serious equipment problems only 40% of the time. My point here is that the Coast Guard budget has never been close to what it should be, and now the Coast Guard has additional responsibilities for homeland security. I am concerned that many of the core Coast Guard missions will still be underfunded.

The Administration budget represents a 28% increase over last year.

However, over half of that increase is attributable to an accounting change which fully accrues the Coast Guard's retirement and health care costs. This doesn't pay for any additional security or improve readiness for the Coast Guard.

Once you remove all of the accruals and other built-in entitlements such as pay raises, the Coast Guard budget seeks an increase of only \$303 million in operating expenses. Of this amount, \$188 million is for increased homeland security. Will that amount be sufficient to adequately cover this important new mission?

For all of the other Coast Guard

missions, the budget seeks an actual increase in operating expenses of only \$115 million.

Let's be honest here. Prior to September 11, the Coast Guard was struggling to perform its traditional missions of search and rescue, fisheries enforcement, drug and illegal migrant interdiction. I know that to some extent, increased port security will help with drugs and illegal migrant interdiction, but what about natural resource protection and search and rescue?

I know that the Administration supports lifting the moratorium on Individual Fishing Quotas. The Coast

Guard testified earlier this year in the House that lifting the moratorium will require additional enforcement by the Coast Guard. On the one hand the Administration is advocating for a new method of fisheries management that requires additional enforcement, and on the other hand, the planned level of effort for law enforcement in the Coast Guard's budget is reduced. That is unacceptable.

The President's budget also includes \$500 million for the Integrated Deepwater program. This program is something that Senator Snowe and I have worked long and hard for. We recognize that we need to modernize the Coast

Guard in a coordinated integrated fashion. The Coast Guard must be able to communicate rapidly, securely, and in real time, with all of its assets. The Deepwater program is aimed at making that happen. I do have some questions, though, about the projected time frame for this project, which I understand may go beyond the 20 years originally envisioned. In addition, I have some questions about the likely increased need to replace near-shore assets, such as small boats used for search and rescue, now also used for port security patrols.

Admiral, you heard me mention earlier my concern with the National Distress Monitoring System. I think the general public would be shocked if they

knew there were 88 dead zones along the coast of the United States. Places where, if you sent out a MAYDAY your call would not be heard. I am also concerned that your current procurement strategy does not support eliminating all of these dead zones. I am looking forward to hearing your thoughts on this matter.

With that I will turn it over to the Ranking Member of this Subcommittee, Senator Snowe.